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Message Text

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41
ACTION NODS-00

INFO OCT-01 ISO-00 /001 W
---------- 123337
R 131457Z NOV 75
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 7884

C O N F I D E N T I A L CAIRO 11521

NODIS CHEROKEE

FOR THE SECRETARY FROM AMBASSADOR

E.O. 11652: GDS
TAGS: EAID
SUBJECT: EXIM VETO OF $100 MILLION USAID

REF: STATE 265778

1. I HATE TO TROUBLE YOU WITH A MATTER OF THIS SORT, BUT DO SO SOLELY BECAUSE OF THE MARRING EFFECT IT COULD HAVE,IF UNREDRESSED,ON SADAT'S RECENT SUCCESSFUL VISIT TO THE US. THE SUBJECT INVOLVES AN EXIM BANK REFUSAL TO AGREE TO THE NEXT $100 MILLION USAID CIP LOAN DUE ON ACCOUNT OF 1971 DEBT RESCHEDULING. AMOUNT DUE IS LESS THAN $2.5 MILLION AND REFTEL IN EFFECT INSTRUCTS ME TO MAKE CLEAR TO EGYPTIAN AUTHORITIES IMPORTANCE OF PROMPT PAYMENT, INFERENCE BEING THAT OTHERWISE $100 MILLION CIP LOAN WILL NOT BE MADE.

2. I AM SYMPATHETIC TO EXIM CONCERN ON EGYPTIAN DELINQUENCY IN MAKING THIS PAYMENT, BUT AM DISTURBED THAT EXIM APPEARS TO BE UNABLE TO TELL THE FOREST FROM THE TREES ON A MATTER OF CONSIDERABLE POLITICAL IMPORTANCE. WE PROMISED, UNCONDITIONALLY RPT UNCONDITIONALLY THAT $100 MILLION LOAN WOULD BE MADE THIS FALL AS PART OF US EMERGENCY ASSISTANCE PROGRM FOR EGYPT. SADAT HAS MADE IT REPEATEDLY
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CLEAR THAT HE NEEDS SUCH HELP FOR PURPOSES OF

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POLITICAL STABILITY AND, I SUBMIT, IT IS ESPECIALLY
IMPORTANT THAT WE HONOR OUR COMMITMENT NOW AT
A TIME WHEN HE IS UNDER SEVERE ATTACK IN ARAB WORLD
FOR HAVING SIGNED SINAI II AND HIS RADICAL ARAB
CRITICS ARE ATTEMPTING TO GENERATE DOMESTIC AGITA-
TION AGAINST HIM.

3. I AM PERFECTLY WILLING TO URGE ONCE AGAIN THAT
GOE PAY ITS OBLIGATIONS ON TIME, INCLUDING
AMOUNT DUE OCTOBER 1. SAD FACT IS THAT EGYPTIAN
BUREAUCRACY IS EXCRUTIATINGLY SLOW IN MAKING
SUCH PAYMENTS AND ALL ELEMENTS OF THIS
POST, INCLUDING MYSELF, HAVE REPEATEDLY
URGED EVERYONE FROM PRIMIN ON DOWN THROUGH
MINFINANCE AND UNDERSECRETARIES TO INSURE THIS
TAKES PLACE. WE WILL CONTINUE TO DO SO. IT
IS NOT A QUESTION OF DEFAULTING, AS REFTEL
SUGGESTS. INSTEAD RECURRENT DELINQUENCIES
IN FORM OF LATE PAYMENTS ARE ATTRIBUTABLE TO
(A) UNBELIEVABLE GOE BUREAUCRATIC INEFFICIENCY
AND (B) GOE LIQUIDITY PROBLEMS.

4. WE DO NOT HAVE ALL THE RECORDS HERE, BUT IT
IS OUR UNDERSTANDING THAT GOE HAS REGULARLY
DISCHARGED ALL ITS OBLIGATIONS ALTHOUGH PAYMENTS
ARE OFTEN TWO TO THREE MONTHS LATE. OF LATE,
THANKS TO OUR REPEATED URGING, SOME OBLIGATIONS
HAVE ACTUALLY BEEN PAID ON TIME. WE WANT TO EN-
COURAGE THIS TREND. I HAVE NO REASON TO
BELIEVE GOE INTENDS TO DEFAULT ON THIS PAYMENT AND AM
CONFIDENT TRANSFER WILL IN DUE COURSE BE MADE.
(I WAS IN FACT TOLD ABOUT THIS EXIM POSITION
JUST PRIOR TO MY DEPARTURE FROM WASHINGTON, BUT
WAS UNDER THE IMPRESSION THAT A LARGE AMOUNT OF
MONEY WAS INVOLVED. THIS IS HARDLY THE CASE.)

5. I INTEND TO TAKE UP THE MATTER WITH MINFINANCE
ABU ISMAIL AND WILL URGE PROMPT PAYMENT. HOWEVER,
OUR OVERALL PURPOSES WILL NOT BE FURTHERED
BY MY DOING SO IN CONTEXT OF WHAT IS CERTAIN
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TO BE VIEWED AS A THREAT THAT UNLESS PAYMENT IS
MADE, NEEDED AND PROMISED CIP LOAN WILL BE
WITHHELD. THIS IS INCONSISTENT WITH SPIRIT OF
COOPERATION WE HAVE BEEN SEEKING FOSTER WITH
SADAT AND WILL BE DEEPLY RESENTED AS SOVIET TYPE
TACTIC.

6. I THINK IT IS IMPORTANT THAT, IN WAKE OF

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SUCESSFUL SADAT VISIT, PROMISED $100 MILLION
USAID CIP LOAN BE EXPEDITIOUSLY APPROVED AND SIGNED.
IF YOU AGREE, I SUGGEST EXIM BANK BE INSTRUCTED
JOIN OTHERS IN APPROVING LAON OR THAT SOME WAY
BE FOUND TO CIRCUMVENT ITS REFUSAL TO AGREE.
WE ARE NOT, AFTER ALL, ASKING EXIM PROVIDE ANY
FUNDS AND ITS CONTRIBUTION TO OUR EFFORTS IN
EGYPT HAS, IN MY VIEW, BEEN MINIMAL.
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